

## Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-08 COME-00 AID-05 CIAE-00  
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 /058 W  
-----092578 140422Z /64  
R 131947Z MAR 78  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC 6849

C O N F I D E N T I A L BOGOTA 2360

DEPT PASS TO EXIM BANK

EO 11657: GDS  
TAGS: EFIN, CO  
SUBJ: SALE OF \$25 MILLION OF CONSTRUCTION EQUIPMENT TO  
COLOMBIA - FOLLOW-UP

REF: A) STATE 012690; B) BOGOTA 853; C) EX-IM PC 78-0-4141 FOR  
BUCYRUS-ERIE

1. BID PROCESS FOR GOC PUBLIC WORKS MINISTRY PURCHASE OF \$25  
MILLION OF CONSTRUCTION EQUIPMENT DECLARED NULL AND VOID ON  
FEBRUARY 28. ACCORDING TO PRESS, PROCESS HAD BEEN CHALLENGED IN  
COURT BY FIRMS SELLING WESTERN EQUIPMENT ON GROUNDS THAT CERTAIN  
CONDITIONS COULD ONLY BE MET BY EASTERN EUROPE SUPPLIERS,  
ESPECIALLY EAST GERMANY. MINISTER STATED THAT PURCHASE STILL  
UNDER CONSIDERATION. REPORTEDLY, THERE WERE SIX PROPOSALS. ALL  
WERE RETURNED UNOPENED.

2. FRANCISCO BONILLA, COLOMBIAN REP OF BUCYRUS-ERIE AND  
KOMATSU, HAS PROVIDED EMBASSY FURTHER DETAILS. BONILLA STATED  
HE PERSONALLY FILED SUIT AGAINST MINISTRY AND KEPT PRESS  
INFORMED OF PROCESS. LEGAL TECHNICALITY RESPONSIBLE FOR DECLARATION  
WAS FACT THAT BID HAD NOT BEEN PUBLICALLY ANNOUNCED IN TIMELY  
FASHION. BONILLA AND OTHER SUPPLIERS OF WESTERN EQUIPMENT ALSO  
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CHALLENGED LOW MAXIMUM INTEREST RATE (6 PERCENT) AND LONG PAY  
BACK PERIOD (10 YEARS), BOTH OF WHICH ARE EXACT TERMS OF  
DECEMBER 16, 1976 ACCORD BETWEEN GOC AND DEUTSCHE AUSSENHARDELSBANK  
ANTIENGESELLSCHAFT OF EAST GERMANY. ACCORD PROVIDED FOR \$55  
MILLION LOAN, \$17.5 MILLION OF WHICH WAS FOR CONSTRUCTION  
EQUIPMENT FOR MINISTRY OF PUBLIC WORKS (EMBASSY HAS COPY).  
BONILLA CHARGES THAT GOC DECREE SIGNED BY PRESIDENT AUTHORIZING

SPECIAL CONDITIONS OF PURCHASE HAS DISAPPEARED AND THAT EAST GERMANS PAID \$50,000 TO VICE-MINISTER OF PUBLIC WORKS TO MOVE TRANSACTION ALONG. BONILLA BELIEVES THAT MINISTRY WILL REOPEN LICITATION WITH SAME FINANCIAL TERMS WHILE COMPLYING WITH ALL LEGAL REQUIREMENTS.

3. BONILLA SHOWED COMMATT COPY OF UNDATED EX-IM TELEGRAM TO BUCYRUS-ERIE, CO SOUTH MILWAUKEE, WISCONSIN INFORMING FIRM THAT BANK HAS AUTHORIZED PC 78-0-4141 TO "COVER UP TO 85 PERCENT OF THE U.S. COSTS AND (ASSISTANCE) WILL CONSIST OF AN EXIMBANK LOAN IN FAVOR OF MINISTRY OF FINANCE, ACTING ON BEHALF OF GOC, OF 85 PERCENT OF U.S. COSTS." TERMS WERE APPROXIMATELY 9.5 YEARS AT 8.25 PERCENT INTEREST WITH .5 PERCENT COMMITMENT FEE FOR PURCHASE OF \$6 MILLION WORTH OF 44 CRANES. EMBASSY WISHES CLARIFICATION WHETHER EX-IM WILL MAKE DIRECT LOAN FOR ALL 85 PERCENT OR WILL IT BE COMBINED LOAN/GUARANTEE PACKAGE.

4. BONILLA REQUESTED THAT EX-IM TRANSACTION BE WITH BUCYRUS-ERIE DIRECTLY RATHER THAN LOAN TO MINISTRY OF FINANCE. BONILLA TRYING TO PUT TOGETHER PACKAGE FINANCING IN WHICH COMBINED INTEREST RATES TO GOC WOULD BE EXACTLY 6 PERCENT, WITH 10 YEARS REPAYMENT, IN ORDER MEET LICITATION REQUIREMENT SHOULD IT REMAIN SAME. EX-IM LOAN WOULD BE PART OF PACKAGE. OTHER POSSIBLE COMPONENTS OF PACKAGE, ACCORDING BONILLA, WOULD BE EURODOLLAR FINANCING IN U.S. AT 6 PERCENT FROM LIBRA BANK O ARAB AMERICAN BANK AND POSSIBLE 6 PERCENT FINANCING WITH 26.5 PERCENT UP-CONFIDENTIAL

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FRONT DISCOUNT FROM BANK OF AMERICA. INCREASED FINANCIAL COSTS (FOR DISCOUNT) WOULD BE PAID FOR BY GOC AS PART OF INFLATED BASE PRICE OF EQUIPMENT. BONILLA'S MAIN CONCERN IS TO GET 6 PERCENT INTEREST RATE IN BID SO IT WILL BE CONSIDERED. HE EXPECTS THAT BETTER QUALITY EQUIPMENT WILL OFFSET HIGHER BASE PRICE.

5. EMBASSY SKEPTICAL OF BONILLA ABILITY TO OBTAIN SUCH LOW-COST FINANCING IN U.S. EMBASSY ALSO SKEPTICAL WHETHER FINANCIAL SLEIGHT-OF-HAND WOULD BE SUCCESSFUL IN ANY CASE.

5. WOULD APPRECIATE EX-IM RESPONSE TO PARA 3 AND ON EX-IM REACTION PARA 4.  
ASENCIO

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## Message Attributes

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**Channel Indicators:** n/a  
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**Copy:** SINGLE  
**Draft Date:** 13 mar 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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